REMARKS

Claims **1-66** are pending. Of these, claims **1, 50, 54, and 59-66** are independent.

Applicants acknowledge the withdrawal of the Section 101 rejections, and present arguments below concerning the 35 U.S.C. 102(e) and 103(a) rejections. In view of the following remarks, the applicants respectfully request favorable reexamination and allowance of all of the pending claims.

The 35 U.S.C. §102(e) Rejections

Claims **50, 59 and 64 -66** stand rejected as anticipated by Walker et al., U.S. Patent No. 6,108,639 (hereinafter "Walker"). We traverse the Section 102(e) rejections.

Claim **50** pertains to a method for providing a penalty to a bidder participating in an auction, and includes the following elements:

> *identifying a product subject to bidding during an auction session;*
>
> *receiving, across a computer network, a bid for the product from a bidder during the auction session;*
>
> ***determining before the auction closes, based on a penalty rule, whether the bidder is to receive a penalty**; and if the bidder is to receive the penalty:*
>
> *transmitting, to the bidder, an indication that the bidder is to receive the penalty.* (emphasis added)

The method recited by claim **50** encourages competitive bidding behavior during an auction session because bidders recognize that they may be penalized for certain bidding behaviors. Thus, a bidder is discouraged from using non-competitive bidding behavior by the knowledge that penalties will be imposed when the bidding behavior falls below predetermined standards (See, for example, the specification at page 2, lines 28-33).

Each of independent claims **50 and 64-66** recites determining, before the auction closes, whether the bidder is subject to a penalty, and then transmitting an indication that the bidder is to

receive a penalty in response to a bid. Independent claim **59** recites a method for participating in an auction, wherein a bidder receives, before the auction closes, a penalty in response to a bid.

Walker discloses systems and methods for managing the sale of collectibles, such as coins, stamps and comic books, to buyers who have submitted a purchase offer for the purchase of such goods (see Walker, col. 1, lines 15-20). One aspect concerns a collectible conditional purchase offer (CPO) management system for receiving and processing individual CPOs from buyers interested in purchasing one or more collectibles, or other used or secondary goods. Each CPO is processed to determine whether one or more sellers are willing to accept a given CPO. If a seller accepts a given CPO and then ultimately delivers goods that comply with the buyer's CPO, the buyer is bound on behalf of the accepting seller to form a legally binding contract. The CPO may be guaranteed, for example, by a credit or debit account (see Walker, col. 3, lines 23-38). Figs. 10A to 10D of Walker illustrate a flowchart of an exemplary collectible CPO evaluation process 1000, wherein a buyer submits a CPO, the CPO is provided to potential sellers, and a determination is made as to whether any seller is willing to accept the CPO (see Walker, col. 9, lines 62-66). We note that such a process is the opposite to that of a traditional auction, wherein one seller offers an item to multiple potential buyers (bidders).

On page 3 of the Office Action, the Examiner contends that Walker discloses: "Determining before the auction closes, based on a penalty rule, whether the bidder is to receive a penalty". In support, several passages of Walker were cited: Col. 16, lines 5-12 and Col. 10, lines 10-15. It is noted that the cited portion at col. 16, lines 4-12 is contained within claim 8 of Walker, which claim pertains to a method of processing the sale of a secondary market item. This cited portion of claim 8 recites:

> "identifying one or more rules from at least one potential seller of said secondary market item, each of said rules containing one or more seller-defined restrictions;
>
> comparing said purchase offer to said rules to determine whether an accepting seller is willing to accept said purchase offer if said customer-defined condition satisfies said seller-defined restrictions of at least one of said rules;"

Col. 10, lines 10-15 are located within the specification of Walker, and this portion recites:

> "It is noted that if the buyer ultimately fails to purchase the requested item once the CPO is accepted by a seller, the buyer can be charged a fee or a penalty. In this manner, the offer is guaranteed with a general purpose account, for example, using a line of credit on a credit card account."

We submit that these citations **fail** to support the Examiner's assertion. In particular, these portions of Walker do not teach to determine, before an auction closes, whether the bidder is subject to a penalty. Rather, the cited portion of claim 8 concerns identifying seller rules containing one or more seller-defined restrictions for comparison to the CPO to determine if the seller is willing to accept the CPO, whereas the cited portion of the specification pertains to charging a fee or penalty to the buyer "…if the buyer **ultimately** fails to purchase the requested item…" (emphasis added, see col. 10, lines11 of Walker).

In an attempt to bolster this assertion, the Examiner argues:

> "However, the penalty is implemented before the close of the auction since the transaction is still being processed at step 1008, *therefore meaning that the auction has not yet closed since transactions involving the auction still need to be carried out [actual purchase of the item]*. Walker '639 shows that the penalty is applied once the CPO is accepted by a seller, and before the purchase of the item, and not applied after the customer is bind (sic, "bound") to the purchase by accepting the CPO. As shown in col. 18, lines 3-19… once a customer accepts the CPO, the auction is still active… In addition, it is true that col. 16, lines 5-12… shows rules applied to determine if the seller will accept the customer's CPO, however, these rules are also applied as penalty rules since penalties are directly linked to the CPO and implemented upon acceptance of the CPO. Therefore, if rules are applied to determine if a CPO is accepted, the penalty that goes along with this particular CPO is also implemented through application of these rules." (see Office Action, paragraph 15 on pages 18-19; emphasis as it appears in the original).

But Steps 1002 to 1008 of Fig. 10A concern receiving and storing information from the buyer that includes conditions, price, expiration date and a general-purpose account identifier. Such information concerns the CPO evaluation process of Figs. 10A-10D. We submit that, in an attempt to fit Walker to the present claims, the Examiner is contorting Walker to suggest that an auction is not closed "because the buyer has not yet made the purchase". Apparently the belief is that even after a "bidder" wins an "auction" (if Walker can be said to disclose an auction at all), the auction never closes if the bidder reneges and does not pay for the item. We submit that such an interpretation of Walker is wholly unsupported. There is nothing in Walker (or in any other cited reference) that discloses or even suggests that an auction never closes if the winning bidder does not pay. Similarly, there is nothing in Walker that discloses or suggests that auctions close at a time other than when a winner is chosen.

Furthermore, the only description of a penalty in Walker is at col. 10, lines 10 – 13. That portion of Walker merely states that "the buyer can be charged a penalty" if the buyer does not ultimately purchase the requested item once the CPO is accepted by a seller. This portion of Walker shows that it is the seller, not the buyer, who accepts the CPO. Accordingly, this portion also supports our position that the penalty in Walker is not "determined before the auction closes." The 'auction' cannot be considered open once the buyer is already bound to purchase the 'auctioned' item, because at such time no other bids are permitted. In other words, if no further bids are permitted for a product then the auction process for that particular product is closed.

Yet further, there is no support at all for the Examiner's convenient assertion that the CPO rules "…are also applied as penalty rules since penalties are directly linked to the CPO and implemented upon acceptance of the CPO." (Office Action, paragraph 15, on pages 8-9.) This is a bald statement, as it is totally unsupported by the disclosure of Walker.

We also note that our request in the Amendment filed 30 May 2006 for clarification concerning specifically which portions of Walker (at col. 18, lines 3 – 19 (part of claim 29 of Walker) or otherwise) are believed to involve when an auction closes or when an auction is "active" have been ignored. Thus, we maintain our position that Walker does not refer to auctions, and does not specify when an auction is "active" or "inactive". Consequently, all assertions in the Office Action that are based on, or that include such statements, are unsupported.

In view of the above remarks, we respectfully assert that Walker does not anticipate any of claims **50, 59 and 64 -66**. We further respectfully submit that the limitations of *determining, before the auction closes, whether the bidder is subject to a penalty*, and *receiving, before the auction closes, a penalty in response to a bid*, are not suggested by any of the references of record, either alone or in combination.

The Section 103(a) Rejections

Claims **1 - 49, 51 – 58 and 60 - 63** are rejected as being unpatentable over combinations of Walker and Franchi (U.S. Patent No. 5,770,533) and other cited references. We traverse the Examiner's Section 103(a) rejections as no *prima facie* case has been made showing that the claims are obvious, for the reasons set forth below.

Independent claims **1**, **54 and 60 -63** are included in the rejection under Section 103(a). Claim **1** is a method claim. Claims **61** (a means-plus function claim), **62 (**an apparatus claim), and **63** (a computer-readable medium claim) each correspond to claim **1**.

Claim **1** (and claims **61 – 63)** recites:

determining, based on a reward rule, whether the bidder is qualified to receive a reward other than the product,

and if the bidder is qualified

transmitting, to the bidder, an indication that the bidder is qualified to receive the reward.

Claim **54** similarly recites:

receiving a reward other than the product in response to the bid.

Claim **60** similarly recites:

notifying a bidder that the bidder is qualified to receive a reward other than the product.

All of the claims rejected under Section 103(a) generally require that a *bidder may receive a reward other than the product*. Applicants submit that there has been no showing that the references suggest any such feature.

The Examiner recognizes that these limitations are not disclosed by Walker (see Office Action, page 5, line 13). But the Examiner also states "Walker… does disclose receiving the product as the reward in the abstract, lines 8-11" (Office Action, page 5, lines 13-14). We disagree. Lines 8-11 of the Abstract of Walker recites:

> "If a seller accepts a give CPO, and ultimately delivers goods complying with the buyer's CPO, the buyer is bound on behalf of the accepting seller, to form a legally binding contract."

We submit that interpreting this portion of Walker in the manner proffered by the Examiner is unreasonable. This cited passage means what it says: if the seller accepts the CPO and delivers the goods according to the buyer's terms (which are in the CPO), then the buyer is obligated to enter into a binding contract. The Examiner's interpretation is another example of how, in an attempt to fit Walker to the present claims, the disclosure of Walker is being distorted.

In an attempt to cure the deficiencies of Walker, the Examiner asserts that:

(i) Franchi discloses receiving a reward other than the product,

(ii) Franchi is in an analogous art, and

(iii) it would have been obvious to combine Franchi with Walker.

But Franchi discloses an open architecture casino operating system for controlling the flow of funds and for monitoring gambling activities (see Abstract of Franchi). Accordingly, Franchi does not even suggest anything having to do with auctions, much less that a bidder in an auction session may receive a reward other than a product.

The cited portion of Franchi that is relied upon is part of claim 41:

> "41. The casino operating system according to claim 39, wherein said player console further notifies the player when the player wins a door prize **randomly awarded** by said central computer." (emphasis added, see Col. 28, lines 46-48 of Franchi)

Franchi also discusses a "door prize" in the specification:

> "Optional features that may be provided on the player console [of a slot machine] include: an indication signal located on the control panel [of the player console] to indicate that the player has won a **random** door price [sic., "prize"]offered by the casino as a perk to frequent gamblers." (emphasis added; see Franchi, col. 8, lines 18 – 22)

Both these portions of Franchi disclose only the random awarding of prizes to a gambler. As best understood, the Examiner is using the completely dissimilar system of Franchi to support arguments that:

(a) Franchi involves neither a bid nor an auction,

(b) Franchi discloses a randomly awarded prize, and

(c) since this prize is not being bid upon in an auction, it is "a reward other than the product [subject to bidding during an auction session]".

This argument is fatally flawed because Franchi has nothing to do with auctions or bidding, so there is no *product which is subject to bidding during an auction session.* Thus, Franchi cannot disclose *a reward other than the product subject to bidding*, as required by the claims.

Furthermore, in order to rely on a reference as a basis for rejection of the applicant's invention, the reference must either be in the field of the applicant's endeavor or, if not, then be reasonably pertinent to the particular problem with which the inventor was concerned. In re Oetiker, 977 F.2d 1443, 1447 (Fed. Cir. 1992). We assert that because Franchi has nothing whatsoever to do with auctions or even bidding, it is non-analogous.

The Examiner contends that:

> "Franchi discloses this limitation [Receive a reward other than the product] in an analogous art for the purpose of showing that participants who place bets can receive an award as an incentive to continue participating." (Office Action, page 5, lines 18-20)

First, there is no showing that Franchi is analogous. It has nothing to do with the field of Applicants' endeavor, and it is not reasonably pertinent to the particular problem with which the inventors were concerned. The Examiner has failed to provide any evidence to the contrary. Moreover, the Examiner has not even provided any evidence relating to the field of endeavor, much less why Franchi is in the field of endeavor.

Second, Franchi does not provide an award " as an incentive to continue participating". The prize is a "perk" which is awarded to frequent gamblers, and is provided randomly. Such gamblers need not continue participating, or continue participating at any rate of play, to receive such an award. There is no evidence otherwise.

The Examiner apparently contends in the paragraph spanning pages 19 and 20 of the Office Action that Franchi may be considered analogous because it "deals with a casino system", and that claim 36 includes terms such as "player betting data" and "gambling game" (which the Examiner interprets as proving that Franchi's system involves "bidding"). The Examiner further asserts: "In Franchi, the ability to play the gambling game represents the product and updating the credit balance of the player's betting card so these players can play the gambling game represents the reward". It is clear that this tenuous "relationship" has nothing to do with the legal basis for a

finding that references are analogous, as discussed above. Accordingly, we respectfully submit that Franchi is non-analogous art, and therefore would not be combined with Walker by one skilled in the art as suggested.

Furthermore, obviousness can only be established by combining or modifying the teachings of the prior art to produce the claimed invention where there is some teaching, suggestion, or motivation to do so found either in the references themselves or in the knowledge generally available to one of ordinary skill in the art. In re Fine, 5 USPQ2d 1596 (Fed. Cir. 1988); In re Jones, 21 USPQ2d 1941 (Fed. Cir. 1992). Furthermore, **particular findings must be made** as to the reason the skilled artisan, with no knowledge of the claimed invention, would have selected these components for combination in the manner claimed. In re Kotzab, 217 F.3d 1365, 1371, 55 U.S.P.Q.2d 1313, 1317 (Fed. Cir. 2000) (emphasis added).

The following motivation to modify and combine Walker and Franchi has been proposed on page 20 of the Office Action:

> "... the combination of these references is valid since both references disclose the implementation of conditional offers in determining a reward. Walker et al. '639 specifically discloses a conditional purchase offer for receiving a (sic., "and") processing individual conditional purchase offers from buyers for different products. Franchi discloses conditional offers through gambling via betting card by a player. As disclosed by Miriam Webster's Dictionary, a bet is defined as "a choice made by consideration of probabilities", where in this case, the consideration of probabilities are conditions. Since probabilities are conditional, and betting includes making a choice or offer via probabilities, the act of betting is conditional. In addition, another conditional offer is shown in Franchi where it discloses different betting options for using the betting card as shown in Col. 9, lines 16-21. First, the user has the option to play solely from the credit balance on the card such that no coins are involved, or the layer can have the machine issue coins form the balance on the card into a coin tray, and then se these coins to play the slot machine. In the first case, the user can play the slot machine on the condition that he or she used no coins. In the second case, the user can play the slot machine on the condition that he or she uses only coins."

We strongly disagree with the Examiner's characterization that both the Walker and Franchi references disclose "the implementation of conditional offers in determining a reward" such that their combination is justified. First, Walker's system concerns matching a conditional purchase offer by a buyer to at least one seller of a product. There is no teaching or suggestion concerning *receiving a reward other than the product in response to the bid.* Second, a gambling wager is not equivalent to a bid for a product, even if it is based on "probabilities". For example, a gambler places a bet (and thereby puts money at risk) to play a game of chance wherein a good outcome is

winning the gamble and receiving a payoff in money (or chips), and a bad outcome is losing the gamble (and thus losing his wager which is equivalent to money) if the result is a losing outcome. In contrast, a buyer at an auction places one or more bids and then obtains the product if he offers the highest bid, but does not lose any money if his bid is not the high bid. Thus, bidding for a product and placing a wager to gamble are two distinctly different activities, and therefore are not equivalent. Furthermore, even if an argument can be made that there is an overlap or an area of common subject matter, that is not a motivation for one of ordinary skill in the art to combine particular teachings, so this factual basis (even if true) would not constitute a motivation to combine the Walker and Franchi in the manner proposed.

Moreover, a motivation to modify only exists where the prior art teaches such a benefit. We submit that there has been no showing of where the prior art demonstrates the desirability of combining or modifying the references in the manner suggested. Yet further, there is not even an allegation that the prior art demonstrates the desirability of solving the problems solved by the present claims.

Lacking a motivation to combine, there is no *prima facie* case of obviousness. In re Rouffet, 149 F.3d 1350, 1358 (Fed. Cir. 1998). If examination at the initial stage does not produce a *prima facie* case of unpatentability, then without more the applicant is entitled to grant of the patent. In re Oetiker, 977 F.2d 1443, 1445 (Fed. Cir. 1992). As no motivation has been shown in the prior art of record to modify or combine the references in the manner proposed, or in any other manner that renders the claims obvious, we submit that a *prima facie* case of obviousness has not been made and request withdrawal of all of the section 103(a) rejections.

Conclusion

For the foregoing reasons it is submitted that all of the claims are in condition for allowance and the Examiner's early re-examination and reconsideration are respectfully requested.

Alternatively, if there remains any question regarding the present application or any of the cited references, or if the Examiner has any further suggestions for expediting allowance of the present application, the Examiner is cordially requested to contact Stephan Filipek at telephone number 203-461-7252 or via electronic mail at sfilipek@walkerdigital.com.

Respectfully submitted,

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